BUILDING for the FUTURE...

The Annual Report of

Maritime Telegraph & Telephone Company Limited, for 1973

THE 1973 ANNUAL REPORT OF THE DIRECTORS TO THE SHAREHOLDERS

Maritime Telegraph & Telephone Company, Limited

Incorporated under the laws of the Province of Nova Scotia

Head Office: 1520 Hollis Street, P.O. Box 880, Halifax, Nova Scotia, Canada, B3J 2W3 (Telephone (Area Code 902) 424-4541)

STOCK TRANSFER OFFICES

Maritime Telegraph and Telephone Company, Limited, 1520 Hollis Street, Halifax, Nova Scotia
(common shares, 7% preferred shares and 7.10% preferred shares)

Canada Permanent Trust Company, 600 Dorchester Blvd. West, Montreal 101, Quebec
(common shares and 7.10% preferred shares)

Canada Permanent Trust Company, 20 Eglinton Ave. W., Toronto 1, Ontario
(common shares and 7.10% preferred shares)

Canada Permanent Trust Company, 315 Eighth Avenue, S.W., Calgary, Alberta
(7.10% preferred shares)

Canada Permanent Trust Company, 1778 Scarth Street, Regina, Saskatchewan
(7.10% preferred shares)

Canada Permanent Trust Company, 455 Granville Street, Vancouver, British Columbia
(7.10% preferred shares)

Canada Permanent Trust Company, 433 Portage Avenue, Winnipeg, Manitoba
(7.10% preferred shares)

STOCK REGISTRAR

The Halifax, Montreal and Toronto offices of Canada Permanent Trust Company are registrars of common shares of the capital stock of the Company.

The Halifax, Montreal, Toronto, Calgary, Regina, Vancouver and Winnipeg offices of Canada Permanent Trust Company are registrars of 7.10% preferred shares of the capital stock of the Company.

COMMON SHARES AND 7.10% PREFERRED SHARES LISTED

Montreal Stock Exchange
Toronto Stock Exchange

VALUATION DAY PRICES
(December 22, 1971)

Common Shares	*– $22.13*
7% Preferred Shares	*– $ 9.63*

The annual general meeting of the shareholders of Maritime Telegraph and Telephone Company, Limited will be held at the Head Office of the Company, 1520 Hollis Street, Halifax, N.S., on Friday, the 29th day of March, 1974, at twelve o'clock noon.

This 1973 Annual Report is a summary of the operations of the Company in its 64th year of serving Nova Scotia. It is prepared for those who have invested in our Company, for those who are interested in the Company's performance and for our employees.

BUILDING for the FUTURE...

To guide the resources of manpower, technology and capital, according to the corporate policy of good service at reasonable cost, demands as a paramount purpose building wisely for the future.

The 1973 Annual Report takes this goal as its theme.

In the pages that follow, details of the twelve busy months of 1973 are set out. New service levels, new growth accomplishments, new organizational structures, higher capital expenditures as well as the difficulty of predicting the future in these rather strange times are all reported.

Despite the program of continued automation and improved productivity, the ranks of telephone men and women in Maritime Tel & Tel rose by 9.6% to 3,152 during 1973. Due to these increases in the number of employees and wage levels the payroll has doubled in 5 years and for 1973 was over $24.6 million.

In ten communities, new dial switching centres were installed, bringing a range of more modern telecommunications services to many thousands of Nova Scotians. In two major centres, Yarmouth and Bridgewater with 24 surrounding communities, Direct Distance Dialing service was provided, linking these areas with the North American network with calling capabilities to any one of approximately 150 million telephones.

Investment in telephone plant rose to a total of $262.8 million. On the other side of the balance sheet, Series "T" Bonds dated December 15, 1973 for $20 million at 8 3/4% were issued bringing the Company's long-term debt to a total of $95.7 million.

Average per-share earnings were $1.94 (the same as in the previous year) of which $1.25 was paid out in dividends – the balance being reinvested in capital construction projects.

But the results highlighted here clearly follow upon years of planning in the past. In the same way, the accomplishments of future years depend on what we do now. As this Report shows in the ensuing pages, building for the future is a constant activity.

A. Gordon Archibald

A. Gordon Archibald
President

TODAY'S SERVICE DEPENDS ON YESTERDAY'S

Because of the long lead time – up to two years – required to plan and put into service many types of telephone facilities, good service in 1973 depended upon good planning in 1971 and 1972. By the same token, good service in the future depends upon good planning now since growth demands require heavier capital programs.

For the vast majority of customers, good service was measured in a number of ways: The program of modernization made important progress; vigorous growth in telephone installations continued; volumes of long distance calling reached record levels; at the same time new services were introduced.

Modernization Program

For close to 60,000 customers in more than three dozen communities, completion of the seventh year of the ten year all-dial, all-Direct Distance Dialing program for Nova Scotia brought many improvements.

Ten of these areas were converted to dial service with the construction of ten new buildings to house dial switching centres.

Concurrent with these conversions, 42,000 customers in 33 communities had their telephones connected to the Direct Distance Dialing network. This brought to approximately 80% the number of telephones in the Province that now have direct access without the services of an operator to some 150 million phones throughout Canada, the U.S. and part of Mexico. It can very well be termed a wonder of the age that by rotating the dial eleven times (or with touch-tone, pressing eleven buttons) a telephone user in Nova Scotia can sort out and call automatically any one of 150 million telephones on this continent and as far west as Hawaii.

In 19 communities, customers' phones were included in enlarged base rate areas – that is, monthly mileage charges were eliminated. And for many others, mileage charges were reduced as the base rate area grew in size.

Along with many of the above improvements, phones in 21 communities were linked to neighbouring communities with long distance charges eliminated. Throughout Nova Scotia 85.4% of MT&T telephones now have Extended Area Service as part of the modernization program referred to above.

In 1973, the Company also assumed the service responsibility of 14 independent telephone companies, bringing the total to 57 which have been absorbed in the past seven years of the current program. The remaining 65, many of them in smaller exchanges, will be taken over by the end of 1976, subject to approval of the Board of Commissioners of Public Utilities.

Finally, progress in the rural program was measured by 1,300 more miles of buried cable throughout the Province. The average number of parties sharing rural lines now stands at 7.1, and the goal by the end of 1976 is to reduce this average to six or less.

Growth Statistics

A major share of the Company's capital investment in 1973 was in facilities for growth. During the year, installation crews completed 170,000 orders, connecting and disconnecting phones, changing and upgrading service. Net result was a gain of 25,828, or one new phone for nearly every 7 orders worked.

The total of business and residence telephones in service stood at 349,590 at the year end, an increase of 78.4% over the total of ten years ago.

In the same ten-year period, the proportion of family residences in the Province with phone service has risen from 75.6% to 94%, and continues to rise.

At the same time, the number of one-party services to residences has increased from about 91,000 ten years ago, to 160,769 by the end of 1973 which means that 78.5% of all residence customers are single line

Faxcom (also shown on cover) moves typical document in three minutes utilizing long distance lines for facsimile transmission.

Dataroute, industry's pace-setting new network for high speed error free data transmission in digital form, aids this Halifax food processor's business.

LANNING

users. Similarly, extension phones in homes rose from 14.2% of main residence phones in 1964 to 25.2% in 1973.

The national average of telephones in service per 100 persons is 51. Ten years ago in Nova Scotia it was 28.4 and it is now 43.2 which means that despite the rapid growth experienced in the last few years there are still strong prospects for growth and expansion in the future.

Higher Calling Volumes

The Province's telehpone network continues to carry an ever-increasing volume of calls. In 1973, more than three-quarters of a billion calls of all kinds were handled – nearly double the volume ten years ago. Of this number, 28.8 million were long distance calls, more than double that of 1964. As DDD capability rises, the ratio of DDD calls to operator handled calls increased in 1973; 46.5% of all long distance calls were DDD.

This increase was aided by the provision of DDD service in both the Yarmouth and Bridgewater areas, and the connection of 33 additional communities throughout Nova Scotia to the DDD network, affecting a total of approximately 58,000 phones.

Average daily calling volumes rose to nearly two million, compared to 1.1 million ten years ago; average daily long distance messages carried rose to 63,000 compared to 27,000 in 1964.

New Services

One of the features introduced during 1973 which helped increase long distance calling was a new one-minute minimum charge for toll calls.

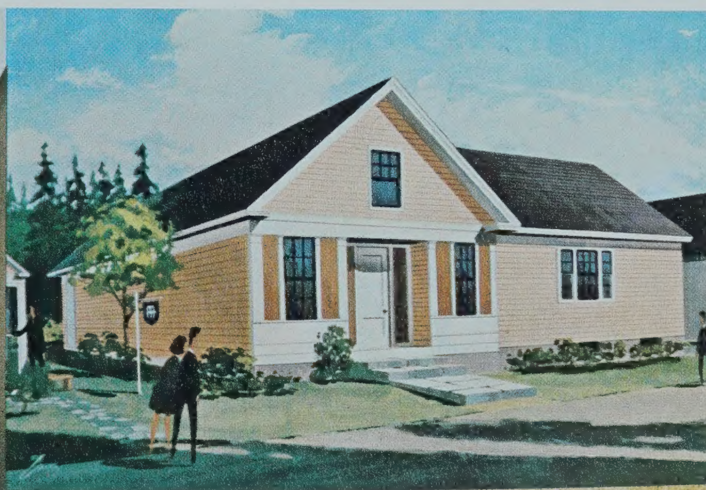
Approved by the Board of Commissioners of Public Utilities for Nova Scotia late in the year, the new lower minimum time applies to both station-to-station and person-to-person long distance calls – with special surcharges and differentials for non-DDD calls.

Two other services introduced in 1973 were of special interest to business customers. Faxcom, the Trans-Canada Telephone System trade name for facsimile transmission communication, enables telephone customers to transmit copies of letters, drawings, pictures, plans, and photographs over the telephone network more quickly and at very competitive rates.

Dataroute was also introduced during 1973 as a Trans-Canada Telephone System offering. As one of the eight members of Trans-Canada Telephone System the Company had the distinction of supplying a part of the first data transmission system which enables customers to move computer data in binary digital form over the microwave network.

The new system resulted in major reductions in customer rates – as much as 90 percent in some areas – and, at the same time, significantly higher degrees of error-free transmission.

lew one-minute minimum charges for in-Province ong distance calls resulted from detailed research, iven boost by smiling "yelly telly" promotion symbol nanufactured cooperatively by rehabilitation vorkshop employees.



Modern on the inside – but blending with the architecture of the day – is proposed Sherbrooke Village dial central office, slated for late 1974.

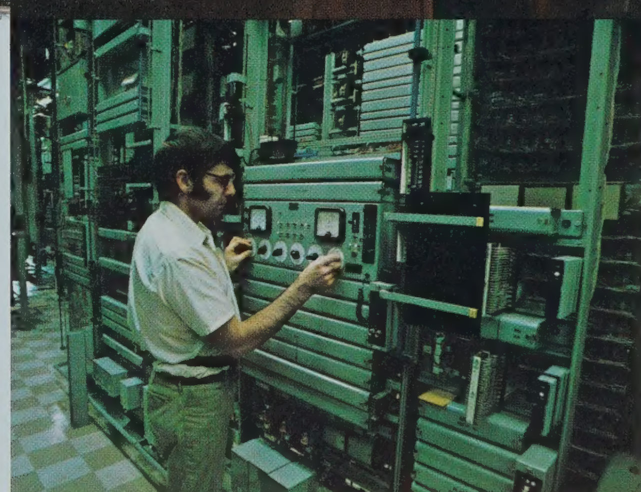
THE FUTURE DEPENDS ON GOOD PLANNING

The Company's investment in telecommunications facilities throughout Nova Scotia rose impressively — close to 12% — during 1973, keeping pace with continued record-high levels of installation and demands on the local and long distance calling network.

The total of $42.6 million in construction expenditures for 1973, more than three and a half times what it was ten years ago, was up by $14.7 million over 1972.

The expenditures took place in two broad categories of facilities: a significant part of the program was $22.9 million to meet demands for growth and expansion; the remainder was mainly for replacement and modernization of services. Included was the conversion to dial of ten exchanges, and the related modernization projects referred to earlier.

Towering above nearby buildings, major extension to Sydney dial facilities nears completion to keep pace with area growth.



Employees of Yarmouth bank like those of other businesses in the community, receive advance training on ease and use of Direct Distance Dialing introduced in April. DDD test panel is shown below.

Overall the average construction expenditure for each new telephone gained was $1,650, in striking contrast to the historic or embedded plant investment of $752 per telephone.

Major Projects

Work is already in progress on a number of major projects designed to meet the rising demands of the future and to restore spare capacity used up by the unpredicted growth of the recent past.

In the Rockingham area of Halifax, construction was started on a new centre to house the first Stored Program electronic central office which is the very latest in modern switching technology.

This "SP" switching centre will initially serve 4,650 homes and businesses in the Rockingham area, scheduled for connection in late 1974, with built-in capacity for additional services.

Costing approximately $3.5 million, it is designed to be monitored continually by a computer, with adaptations to meet changing conditions controlled through remote teletype links – the central office of the future. Other "SP" offices are planned for construction in Spryfield (Halifax Exchange) and Kentville in 1975.

Late in 1973, the Company made public plans to spend an estimated $10 million to improve both long distance and local services along Nova Scotia's Eastern Shore.

The project involves 19 communities and includes two microwave systems, one between Halifax and Beaver Harbour, the other linking New Glasgow, Melrose and Guysboro. Ultimately, both will be joined.

By the end of 1976, all communities along the Eastern Shore and vicinity are to be served by the new microwave routes and at the same time non-dial areas will be converted to dial operation.

Twenty-four calls simultaneously over two pairs of phone wires pyramids calling capability via Pulse Code Modulation Facility, shown being installed in suburban Halifax.

First of a new generation of remote-controlled, "stored program" electronic switching centres will be housed in new Rockingham central office to go into service in late 1974.

Building for the Future in 1974

The current outlook for 1974 is for a record construction program of $50 million to meet a growing demand for more and better service under the challenging conditions of inflationary price pressures, longer delivery periods and growing material shortages.

Such conditions require good management and good planning to offset as much as possible attrition of earnings, a major problem when the Company is caught in a crunch between rapidly rising costs and prices for its services. These prices were set in 1970 and cannot be changed without regulatory approval.

Highlights of the 1974 program include 22 dial conversions throughout Nova Scotia and DDD service for the Amherst area.

THE FUTURE DEPENDS ON GOOD PEOPLE—N

Notwithstanding the increasing automation of service resulting from dial conversions and DDD, there were 3,152 employees at year end, an overall increase of 9.6% over 1972.

Wages and salaries paid amounted to $24,651,000, an increase of 17.6% over the previous year. Benefit and welfare costs (about 11.8% of the total) were $2,908,000. This included $1,900,000 paid in by the Company to the non-contributory pension fund;

Replacing submarine cables torn up by a ship's anchor cable in Sydney Harbour, new high-capacity cables are readied for laying in pre-dawn December light.

Taking the pulse of the province-wide network, this new Traffic Data Collection System's mini-computer "dials" central offices throughout Nova Scotia 24-hours a day for up-to-the-minute traffic load print-outs.

Dartmouth area developer's projects include modern, efficient telecommunications requirements, here under discussion with Company's Marketing specialists.

Customers' service representatives in Kentville's new and enlarged business office take direct, no charge calls from communities ranging throughout Annapolis Valley and Nova Scotia's South Shore.

$570,000 for sickness, accident, group insurance benefits from the Company, and supplementary hospital insurance; $259,000 to the Canada Pension Plan; and $179,000 to Unemployment Insurance.

New Departments

Creation of a new General Organization Development Department during 1973 was in recognition of the evolving nature of the telecommunications business and the increasing importance of well trained and well motivated people in this evolution.

The new department merges both the functions of the Company's Personnel Department and the various related manpower training and manpower development plans of the Company's several other operating groups.

Similarly, establishment of a separate General Marketing Department brings under a single group responsibility for integration of market analysis, planning, selling and servicing of specialized services on a province-wide basis.

Head Office Property

During the year negotiations were completed with Famous Players for the purchase of the Capitol Theatre property which is contiguous to your Company's Head Office area. The main purpose of the purchase was to obtain sufficient Barrington Street frontage and total space on which to erect a Head Office building. (At present, Head Office personnel are housed in seven different locations throughout the Metro Area.)

A call for proposals has been forwarded to 18 developers and they are scheduled to be received not later than March 6th, 1974.

One of the conditions of sale, as stipulated by Famous Players and agreed to by your Company, was that the Capitol Theatre be demolished within a specified time. It is planned that the new Head Office structure will be available for occupancy about the middle of 1976.

Directors' Changes

During the year, Messrs M. R. Chappell, Sydney, C. J. Morrow, Lunenburg, George C. Wallace, Montreal and Frank H. Sobey, Stellarton, retired from your Board of Directors. We are most grateful to these men for the great assistance rendered to this Company during their terms of office. They were succeeded on the Board by Messrs D. Andrew Eisenhauer of Lunenburg and J. E. Skinner of Montreal, and Dr. J. J. MacDonald of Antigonish.

Mr. Ian M. MacKeigan, Q.C., was also appointed to the Board during 1973 succeeding Dr. A. M. MacKay, former President and Chairman of the Board, who had retired during the previous year. Later, Mr. MacKeigan retired from the Board coincident with his appointment as the Chief Justice of Nova Scotia.

(Below) This revolving carousel stores microfilmed customer long distance data for speedy access, fast query response.

Summing up

Overall, Canada'a telecommunications industry now represents a rapidly expanding sector of Canadian business employing more than $8.5 billion in assets, of which MT&T has over a quarter of a billion dollars.

Of this, by far the major portion has been planned, initiated and guided by the management of investor-owned companies operating in seven of Canada's ten provinces.

The effective combination of this leadership, with historic regulation by government agencies of rates and services, has resulted in Canada's world-wide pre-eminence in low-cost, efficient and universally available telecommunications service. The cost of telephone service in Nova Scotia and in the rest of Canada in terms of average wages per hour is the lowest in the world.

In those nations where this successful partnership of industry and government does not exist, the contrast has long been evident in higher costs, poorer service availability and inferior quality.

Keynote of the telecommunications industry's progress in Canada, and in Nova Scotia, has centered around business leadership's role in planning and building for the future.

This Annual Report has sought to emphasize this aspect of the industry in our Province. In so doing, your Directors pay grateful tribute to the telephone men and women of Nova Scotia – they are, after all, "the Company", and it is their combined efforts that have made 1973 a successful year for your Company.

For the Board of Directors

A. G. Archibald

Chairman and President.

March 8, 1974

in statements

INCOME STATEMENT

For the Year Ended December 31, 1973

(With Comparative Figures for the Year Ended December 31, 1972)

	Thousands of Dollars	
	1973	1972
	$	$
OPERATING REVENUES		
Local service	29,340	26,841
Long distance service	31,215	26,525
Other (Note 2)	1,952	1,719
Uncollectible	*354*	*193*
	62,153	54,892
OPERATING EXPENSES		
Maintenance	9,686	8,383
Depreciation (Note 1(b))	12,454	10,978
Traffic (Note 3)	5,807	5,177
Commercial and marketing	3,361	2,750
Administrative (Note 4)	4,209	3,637
Other (Note 5)	3,867	3,248
Taxes other than income taxes	1,796	1,672
	41,180	35,845
	20,973	19,047
Other income (Note 6)	995	810
INCOME BEFORE INTEREST AND INCOME TAXES	21,968	19,857
INTEREST		
Bond interest	5,409	4,844
Other (Note 7)	615	232
	6,024	5,076
	15,944	14,781
Income taxes (Note 8)	7,530	6,650
NET INCOME FOR YEAR	8,414	8,131
Earnings per common share	1.94	1.94

RETAINED EARNINGS STATEMENT

For the Year Ended December 31, 1973

(With Comparative Figures for the Year Ended December 31, 1972)

	Thousands of dollars	
	1973	1972
	$	$
RETAINED EARNINGS, beginning of year	20,113	17,532
ADDITIONS:		
Net income for year	8,414	8,131
DEDUCTIONS:		
Preferred dividends	743	569
Common dividends	5,001	4,738
Commission and expenses of issuing preferred stock	–	243
	5,744	5,550
RETAINED EARNINGS, end of year	22,783	20,113

D. S. Inkpen Comptroller

FINANCIAL PO

As at Dec

(With Comparative Fig

ASSETS

	Thousands of Dollars	
	1973	1972
	$	$
TELEPHONE PLANT (Note 1(b))		
Depreciable telephone plant in service	246,450	220,12
Other telephone plant (Note 9)	16,314	7,24
	262,764	227,36
Less accumulated depreciation	66,462	59,46
	196,302	167,90
INVESTMENTS		
Equity in net assets of subsidiaries	3,233	3,04
Short-term investments (Note 13(b))	2,538	2,50
Other investments (Note 10)	837	83
	6,608	6,37
CURRENT ASSETS		
Cash	632	11
Accounts receivable	9,583	8,25
Income taxes receivable (Note 8)	648	–
Materials, at cost	4,960	2,85
Prepayments	489	40
	16,312	11,63
DEFERRED CHARGES		
Unamortized long-term debt expenses	1,099	88
Other deferred charges	536	55
	1,635	1,43
	220,857	187,34

On behalf of th

A. G. Archibalc
Director

SITION STATEMENT
ember 31, 1973
ures as at December 31, 1972)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Thousands of Dollars	
	1973	1972
	$	$
SHAREHOLDERS' EQUITY		
Common stock (Note 11)	40,231	39,319
Premium on common stock (Note 12)	15,161	14,609
Retained earnings	22,783	20,113
Total common equity	78,175	74,041
Preferred stock (Note 11)	10,425	10,500
	88,600	84,541
LONG–TERM DEBT (Note 13)		
First mortgage bonds	94,500	74,500
Bank and other notes	1,190	200
	95,690	74,700
CURRENT LIABILITIES		
Accounts payable	6,927	3,951
Income taxes accrued	–	351
Interest accrued	1,174	1,101
Dividends payable	1,482	1,415
Other current liabilities	350	295
	9,933	7,113
DEFERRED CREDITS		
Income taxes (Notes 1(c) and 8)	26,614	20,496
Other deferred credits (Note 15)	20	495
	26,634	20,991
	220,857	187,345

COMMITMENTS (Note 17)

Board:

D. W. Myers
Director

STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Year Ended December 31, 1973
(With Comparative Figures for the Year Ended December 31, 1972)

	Thousands of Dollars	
	1973	1972
	$	$
SOURCE OF FUNDS:		
Internal –		
Operating revenues and other income	63,147	55,702
Less charges requiring working capital (Note 16)	39,792	35,414
From operations	23,355	20,288
Deferred income taxes, prior years (Note 8)	1,807	–
Total internal	25,162	20,288
External –		
First mortgage bonds	20,000	12,000
7.10% preferred stock	–	9,000
Short-term investments matured (Note 13(b))	2,500	
Bank and other notes	1,190	
Employees' stock savings plan (Note 15)	995	913
Decrease in working capital	–	1,655
Total external	24,685	23,568
Total source of funds	49,847	43,856
APPLICATION OF FUNDS:		
Redemption of first mortgage bonds	–	5,500
Redemption of 7.10% preferred stock (Note 11)	75	
Repayment of bank and other notes	200	[illegible]
Dividends	5,744	[illegible]
Investments (Notes 10 and 13(b))	2,638	[illegible]
Deferred income taxes, prior years	–	1,047
Other	208	590
Increase in working capital	1,860	
Total application of funds (other than construction)	10,725	19,017
Total funds provided for construction	39,122	24,839
FUNDS USED FOR CONSTRUCTION:		
New telephone plant added	41,988	27,416
Cost of removing old plant	631	496
Construction program expenditures	42,619	27,912
Less charges not requiring working capital		
– Interest, pensions and expenses credited to income	1,994	[illegible]
– Salvage	1,298	[illegible]
– Other	205	134
	3,497	3,073
Total funds used for construction	39,122	24,839

The accompanying notes form an integral part of these financial statements.

CONSOLIDATED INCOME STATEMENT

For the Year Ended December 31, 1973

(With Comparative Figures for the Year Ended December 31, 1972)

	Thousands of Dollars	
	1973	1972
	$	$
OPERATING REVENUES		
Local service	32,690	29,753
Long distance service	34,277	28,959
Other (Note 2)	2,316	1,974
Uncollectible	*372*	*213*
	68,911	60,473
OPERATING EXPENSES		
Maintenance	10,767	9,284
Depreciation (Note 1(b))	13,853	12,013
Traffic (Note 3)	6,701	5,957
Commercial and marketing	3,617	2,961
Administrative (Note 4)	4,556	3,908
Other (Note 5)	4,319	3,575
Taxes other than income taxes	1,914	1,774
	45,727	39,472
	23,184	21,001
Other income (Note 6)	786	457
INCOME BEFORE INTEREST AND INCOME TAXES	23,970	21,458
INTEREST		
Bond interest	5,859	5,318
Other (Note 7)	798	245
	6,657	5,563
	17,313	15,895
Income taxes (Note 8)	8,360	7,323
INCOME BEFORE MINORITY INTEREST	8,953	8,572
MINORITY INTEREST	539	441
NET INCOME FOR YEAR	8,414	8,131
Earnings per common share	1.94	1.94

CONSOLIDATED RETAINED EARNINGS STATEMENT

For the Year Ended December 31, 1973

(With Comparative Figures for the Year Ended December 31, 1972)

	Thousands of Dollars	
	1973	1972
	$	$
RETAINED EARNINGS, beginning of year	20,113	17,532
ADDITIONS:		
Net income for year	8,414	8,131
DEDUCTIONS:		
Preferred dividends	743	569
Common dividends	5,001	4,738
Commission and expenses of issuing preferred stock	–	243
	5,744	5,550
RETAINED EARNINGS, end of year	22,783	20,113

D. S. Inkpen Comptroller

CONSOLIDATED FINANCIA

As at Decembe

(With Comparative Figures a

ASSETS

	Thousands of Dollars	
	1973	1972
	$	$
TELEPHONE PLANT (Note 1(b))		
Depreciable telephone plant in service	272,424	241,742
Other telephone plant (Note 9)	18,096	8,580
	290,520	250,322
Less accumulated depreciation	72,699	64,952
	217,821	185,370
INVESTMENTS		
Short-term investments (Note 13(b))	2,538	2,500
Other investments (Note 10)	910	910
	3,448	3,410
CURRENT ASSETS		
Cash	678	204
Accounts receivable	10,215	8,753
Income taxes receivable (Note 8)	554	–
Materials, at cost	5,233	3,173
Prepayments	540	439
	17,220	12,569
DEFERRED CHARGES		
Unamortized long-term debt expenses	1,232	946
Other deferred charges	625	595
	1,857	1,541
	240,346	202,890

On behalf of the Boa

A. G. Archibald
Director

one Company, Limited
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POSITION STATEMENT
31, 1973
t December 31, 1972)

LIABILITIES AND SHAREHOLDERS' EQUITY

	Thousands of Dollars	
	1973	1972
	$	$
SHAREHOLDERS' EQUITY		
Common stock (Note 11)	40,231	39,319
Premium on common stock (Note 12)	15,161	14,609
Retained earnings	22,783	20,113
Total common equity	78,175	74,041
Preferred stock (Note 11)	10,425	10,500
	88,600	84,541
MINORITY INTEREST IN SUBSIDIARY COMPANIES		
Preference shares	3,061	3,061
Common equity	2,976	2,719
	6,037	5,780
LONG–TERM DEBT (Note 13)		
First mortgage bonds	104,250	80,950
Bank and other notes	1,670	884
	105,920	81,834
CURRENT LIABILITIES		
Bank loan (Note 14)	275	250
Accounts payable	7,375	4,435
Income taxes accrued	–	354
Interest accrued	1,243	1,163
Dividends payable	1,482	1,415
Other current liabilities	374	314
	10,749	7,931
DEFERRED CREDITS		
Income taxes (Notes 1 (c) and 8)	29,016	22,287
Other deferred credits (Note 15)	24	517
	29,040	22,804
	240,346	202,890

COMMITMENTS (Note 17)

:

D. W. Myers
Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Year Ended December 31, 1973
(With Comparative Figures for the Year Ended December 31, 1972)

	Thousands of Dollars	
	1973	1972
	$	$
SOURCE OF FUNDS:		
Internal –		
Operating revenues and other income	69,697	60,930
Less charges requiring working capital (Note 16)	43.941	38,817
From operations	25,756	22,113
Deferred income taxes, prior years (Note 8)	1,957	–
Total internal	27,713	22,113
External –		
First mortgage bonds	24,000	12,000
7.10% Preferred stock	–	9,000
Preference stock issued to minority shareholders	–	1,500
Short-term investments matured (Note 13(b))	2,500	–
Bank and other notes	1,670	684
Employees' stock savings plan (Note 15)	1,034	946
Decrease in working capital	–	1,644
Total external	29,204	25,774
Total source of funds	56,917	47,887
APPLICATION OF FUNDS:		
Redemption of first mortgage bonds	700	5,800
Redemption of 7.10% preferred stock (Note 11)	75	
Repayment of bank and other notes	884	3,700
Dividends	5,744	5.307
Dividends to minority shareholders	349	271
Investments (Notes 10 and 13(b))	2,538	2,638
Deferred income taxes, prior years	–	1,047
Other	320	606
Increase in working capital	1,833	–
Total application of funds (other than construction)	12,443	19,369
Total funds provided for construction	44,474	28,518
FUNDS USED FOR CONSTRUCTION:		
New telephone plant added	47,614	31,262
Cost of removing old plant	710	568
Construction program expenditures	48,324	31,830
Less charges not requiring working capital		
– Interest, pensions and expenses credited to income	2,113	1,584
– Salvage	1,517	1,582
– Other	220	146
	3,850	3,312
Total funds used for construction	44,474	28,518

The accompanying notes form an integral part of these financial statements.

the Financial Report in words

This year the Company, in addition to publishing its usual financial statements on an "equity in net assets" of subsidiaries basis, is also publishing consolidated financial statements for the first time. The notes which follow the two sets of financial statements are common to both. The Company has also changed the format of the "Statement of Changes in Financial Position" (formerly "Source and Application of Working Capital") and has directed the statement towards the provision of funds for construction purposes. In a capital intensive Company, this is a much more meaningful direction than one towards changes in working capital.

The following "Financial Report" for the year discusses the Company as an individual operation and does not refer to the fully consolidated financial picture:

Operating revenues at 13.2% higher than last year did not match the increase in operating expenses of 14.9%. This increase in operating expenses is caused by many factors, principally the spiraling costs of operating materials, wages and benefits for employees, and depreciation on plant that continues to grow at an unprecedented rate.

This year, the Company spent some $42.6 million on its construction program. This program required the Company to go to the money market for $20 million of 8 3/4% Series "T" first mortgage bonds. The average cost of debt capital now stands at 7.6% compared to 4.4% ten years ago.

The Company's earnings per average common share remained at the same level of $1.94 as last year. The return on average invested capital dropped slightly to 8.64% while the return on average common equity dropped from last year's 10.44% to 10.11%. In order that common equity holders receive a more equitable return on their investment, the Company increased the common dividend rate to $1.30 from $1.25 per annum effective with the fourth quarter 1973.

Present indications show the Company will require approximately $20 million in external financing again in 1974.

in brief

	1973	1972
Construction Program Expenditures (millions)	$ 42.6	$ 27.9
Telephone Plant per Telephone, December 31	$ 752	$ 702
Telephones in Service, December 31	349,590	323,762
Earnings per Common Share	$ 1.94	$ 1.94
Dividends paid per Common Share	$ 1.25	$ 1.20
Average Common Shares (thousands)	3,961	3,907
Return on Average Invested Capital	8.6%	8.7%
Return on Average Common Equity	10.1%	10.4%
Equity per Common Share, December 31	$ 19.43	$ 18.84
Long-term Debt % Total Invested Capital, December 31	51.9%	46.9%
Salaries and Wages (millions)	$ 24.7	$ 21.0
Employees, December 31	3,152	2,877

Clarkson, Gordon & Co.

Chartered Accountants

The Centennial Building,
1645 Granville Street, Halifax, Canada

Halifax Saint John Quebec Montreal Ottawa
Toronto Hamilton Kitchener London Windsor
Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 429-4080 (Area Code 902)

AUDITORS' REPORT

To the Shareholders of
Maritime Telegraph and Telephone Company, Limited:

We have examined the consolidated financial position statement of Maritime Telegraph and Telephone Company, Limited and its subsidiary companies as at December 31, 1973 and the consolidated income, retained earnings and changes in financial position statements for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the companies as at December 31, 1973 and the results of their operations and the changes in their financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retroactive effect to the consolidation of subsidiaries as referred to in Note 1(a).

Our examination included the unconsolidated financial position statement of Maritime Telegraph and Telephone Company, Limited as at December 31, 1973 and the unconsolidated income, retained earnings and changes in financial position statements for the year then ended and in our opinion these unconsolidated financial statements present fairly the unconsolidated financial position of the company as at December 31, 1973 and the unconsolidated results of its operations and the changes in its financial position for the year then ended on a basis consistent with that of the preceding year.

Halifax, Canada
February 8, 1974

Clarkson, Gordon & Co.
Chartered Accountants

NOTES TO FINANCIAL STATEMENTS

(1) Summary of significant accounting policies –

(a) Accounting for subsidiaries:
The Company owns 52.1% of the common shares of The Island Telephone Company, Limited and 100% of the shares of Maritime Computers Limited. The unconsolidated statements reflect the accounts of the subsidiaries on an "equity in net assets" basis.

The consolidated financial statements include the accounts of these subsidiaries.

(b) Telephone plant:
Telephone plant is carried at cost.
Depreciation is charged using component depreciation rates for classes of plant as approved from time to time by the Board of Commissioners of Public Utilities for the Province of Nova Scotia. Similarily, depreciation rates for The Island Telephone Company, Limited are approved by the Public Utilities Commission of the Province of Prince Edward Island. These rates provide for depreciating the assets over their estimated useful service lives and resulted in an unconsolidated composite rate of 5.5% for 1973 (1972, 5.4%). Comparative consolidated composite rate is 5.5% for 1973 (1972, 5.4%).

Effective, January 1, 1972, provision for depreciation of plant acquired in 1971 and thereafter is calculated by developing straight-line rates within each annual group for sub-groups of units which are expected to have equal service lives. Depreciation of plant acquired prior to 1971 has continued to be provided by the straight-line method, applied to each class of plant grouped by year of placing in service, at rates based on the average service life of each such annual group.

(c) Income taxes:
Deferred tax accounting has been followed with respect to all timing differences.

(2) Other operating revenues – principally from directory advertising and circuit rentals.

(3) Traffic – expenses, principally wages, incurred in handling telephone calls.

(4) Administrative – executive, accounting, public relations, engineering and business information systems expenses.

(5) Other operating expenses – principally rents, service pensions, and employee benefits.

(6) Other income – the unconsolidated statements include the Company's portion of the net subsidiaries' income of $268,000 (1972, $337,000), interest charged construction of $534,000 (1972, $379,000), less other income charges.

The consolidated statements include interest charged construction of $606,000 (1972, $422,000) less other income charges.

(7) Other interest – includes amortization of long-term debt expenses amounting to $96,000 (1972, $87,000) on an unconsolidated basis and $101,000 (1972, $93,000) on a consolidated basis.

(8) Income taxes – During the year, the Company has made a change in the method of calculating income for tax purposes. This has enabled the Company to defer $1,807,000 ($1,957,000 consolidated) of income taxes paid in prior years, of which $360,000 ($360,000 consolidated) is still currently receivable. The new method has resulted in a reduction in current year's taxes payable to the extent of $797,000 ($965,000 consolidated) of which $288,000 ($194,000 consolidated) is also currently receivable. This change has no effect on the net income of the Company.

(9) Other telephone plant – land, telephone plant under construction and property held for future telephone use.

(10) Other investments – principally in Telesat Canada. Total investment in these shares on an unconsolidated basis is $738,000 and on a consolidated basis is $798,000.

(11) Capital Stock – par value $10.00 per share

	1973 Shares	1972 Shares
Authorized:	10,000,000	5,000,000
Issued:		
Common – beginning of year	**3,931,918**	3,882,292
– issued during year for cash (1973, $1,464,000; 1972, $856,000)	**91,197**	49,626
– end of year	**4,023,115**	3,931,918
Preferred – 7% cumulative, voting, non-redeemable	**150,000**	150,000
7.10% cumulative, non-voting, redeemable*	**892,500**	900,000
	1,042,500	1,050,000
Total issued	**5,065,615**	4,981,918

The Company's authorized share capital was increased by Shareholder approval on March 30, 1973 to $100,000,000 divided into 10,000,000 shares of the par value of $10.00 each.

*These shares are non-voting unless 6 quarterly dividends are in arrears. The Company must make all reasonable efforts to purchase for cancellation in the open market 22,500 preferred shares in each calendar year on a non-cumulative basis, at a price not exceeding $10.00 per share together with accrued and unpaid dividends and costs of purchase. During 1973, 7,500 shares were offered and purchased for cancellation (1972, nil).

(12) Premium on common stock –

	1973	1972
Beginning of year	**$14,609,000**	$14,249,000
On shares issued during year	**552,000**	360,000
End of year	**$15,161,000**	$14,609,000

(13) Long-term debt:

(a) First mortgage bonds –

Series	Rate	Maturing		Principal
Maritime Telegraph and Telephone Company, Limited:				
I	3¾%	May	1, 1975	$ 3,000,000
E	3 %	July	1, 1976	2,000,000
O*	8¼%	June	15, 1977	6,000,000
J	5¼%	Sept.	15, 1978	3,500,000
K	5½%	Nov.	1, 1980	4,000,000
L	5½%	June	15, 1983	5,000,000
M	5½%	May	1, 1985	7,000,000
N	6½%	March	15, 1987	10,000,000
Q**	9¼%	June	1, 1990	10,000,000
R	8⅜%	May	1, 1991	12,000,000
T	8¾%	Dec.	15, 1993	20,000,000
S	8⅝%	Aug.	1, 1994	12,000,000
				$ 94,500,000
The Island Telephone Company, Limited:				
D	5½%	May	1, 1978	$ 500,000
E	5½%	Oct.	2, 1981	500,000
F	5½%	June	15, 1983	750,000
G	7⅜%	Feb.	1, 1988	1,000,000
H	8 %	Dec.	15, 1991	3,000,000
I	9¼%	Dec.	15, 1993	4,000,000
				$ 9,750,000
Total first mortgage bonds (consolidated)				$104,250,000

*The holders of Series O bonds have the right on any interest payment date from December 15, 1970 to December 15, 1975, both dates inclusive, to exchange for 8¼% Series P first mortgage bonds maturing June 15, 1990.

**The holders of Series Q bonds have the right to require the Company to repay the principal amount at par on June 1, 1975.

(b) Bank and other notes –

Maritime Telegraph and Telephone Company, Limited:	
Bank demand loan at prime rate	$1,190,000
The Island Telephone Company, Limited:	
Bank demand loan at prime rate	480,000
Total bank and other notes (consolidated)	$1,670,000

In order to permit the Company to time its new issues of debt or capital stock most advantageously the Company maintains a substantial bank line of credit and from time to time sells short-term promissory notes. Such short-term credit is replaced in the normal course by longer term financing and currently maturing debt issues are likewise normally refinanced. For this reason the Company does not classify these items as current liabilities.

Likewise, the Company does not classify as current assets excess funds received through financing and temporarily invested in short-term investments.

(14) Bank loan – Maritime Computers Limited bank demand loan at prime rate.

(15) Other deferred credits –
Includes Employees' Stock Savings Plans as follows:

	Maritime Telegraph & Telephone Company, Limited	The Island Telephone Company, Limited	Consolidated
As at December 31, 1971	$ 422,000	$14,000	$ 436,000
Add 1972 contributions, including interest	913,000	33,000	946,000
	1,335,000	47,000	1,382,000
Less common stock issued in 1972 to employees under the Plans	856,000	29,000	885,000
As at December 31, 1972	479,000	18,000	497,000
Add 1973 contributions, including interest	995,000	39,000	1,034,000
	1,474,000	57,000	1,531,000
Less common stock issued in 1973 to employees under the Plans	1,464,000	57,000	1,521,000
As at December 31, 1973	$ 10,000	$ –	$ 10,000

Generally, shares have been issued on June 30 of each year after the completion of twelve months of contributions. However, in July, 1973 the plan was changed to a calendar year basis and additional shares were issued in December, 1973. Effective July 1, 1970, the purchase price is equivalent to 80% of the average market price of the stock.

(16) Charges requiring working capital –

	1973	1972
(a) Unconsolidated		
Operating expenses, interest and taxes	$54,734,000	$47,571,000
Less charges not requiring working capital		
– Depreciation	12,454,000	10,978,000
– Deferred income taxes	4,311,000	2,632,000
– Other	262,000	219,000
	17,027,000	13,829,000
	37,707,000	33,742,000
Add credits not producing working capital		
– Interest, pensions and expenses charged to construction	1,994,000	1,507,000
– Other	91,000	165,000
	$39,792,000	$35,414,000
(b) Consolidated		
Operating expenses, interest and taxes	$60,744,000	$52,358,000
Less charges not requiring working capital		
– Depreciation	13,853,000	12,013,000
– Deferred income taxes	4,772,000	2,872,000
– Other	291,000	239,000
	18,916,000	15,124,000
	41,828,000	37,234,000
Add credits not producing working capital		
– Interest, pensions and expenses charged to construction	2,113,000	1,583,000
	$43,941,000	$38,817,000

(17) Commitments –

(a) Leases:

(1) The Company leases a substantial number of circuits in the ordinary course of its business for which it pays annual rents of approximately $700,000. The most significant of these leases expires in 1977.

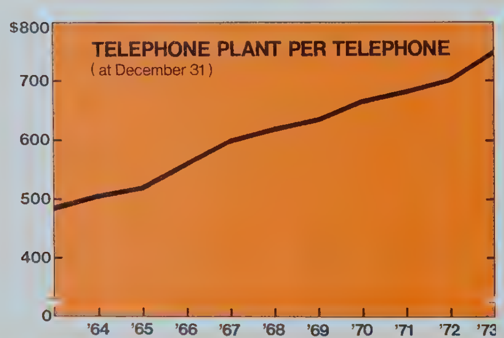
(2) The Company has contracted to lease computer equipment at an annual rental of approximately $270,000, the contract expiring in 1979.

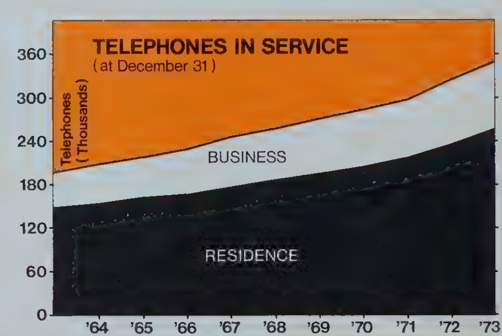
(3) The Company has several agreements with regard to the Telesat Communications Satellite, Anik I with respect to circuit leases through the Trans-Canada Telephone System. These agreements call for annual payments of approximately $100,000 and expire in 1977.

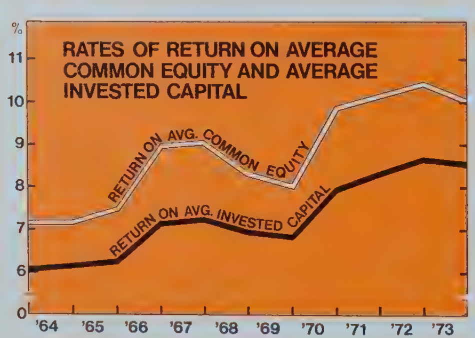
(b) Unfunded pension benefit obligation:
The latest actuarial valuation of the plan was made as at December 31, 1970 and established an unfunded pension benefit obligation of $3,531,000 unconsolidated ($3,624,000 consolidated) at that time. Subsequently, inter-valuations of the plan for the two years ended December 31, 1972 revealed that this unfunded amount had increased due to wage increases and additional pension benefits at a rate greater than the reduction being realized through payments being made against it. At December 31, 1973, the unfunded liability is estimated to be $6,043,000 unconsolidated ($6,308,000 consolidated) and is being funded by annual payments which are treated as costs in the current year, with the final payment to be made in December, 1995.

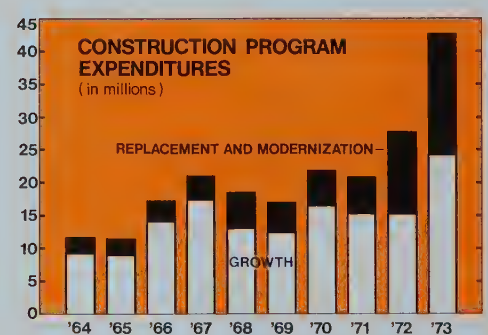
THE YEARS IN REVIEW (Unconsolidated)

	1973	1972	1971	1970	1969	1968	1967
Financial Position at Dec. 31 (in thousands)							
Telephone plant	**$262,764**	$227,366	$204,511	$188,899	$172,101	$159,475	$146,281
Accumulated depreciation	**66,462**	59,465	51,758	46,892	42,767	38,490	36,269
Investments	**6,608**	6,379	3,588	3,548	2,772	2,722	5,811
Current assets	**16,312**	11,632	11,395	9,048	9,455	8,238	8,914
Deferred charges	**1,635**	1,433	1,091	953	705	519	1,034
Shareholders' equity	**88,600**	84,541	72,104	68,957	65,942	64,295	62,726
Long-term debt	**95,690**	74,700	72,150	65,650	55,650	51,000	46,000
Current liabilities	**9,933**	7,113	5,221	5,788	6,795	4,584	5,867
Deferred credits	**26,634**	20,991	19,352	15,162	13,879	12,585	11,178
Income (in thousands)							
Operating revenues	**$ 62,153**	$ 54,892	$ 48,325	$ 43,987	$ 38,390	$ 35,207	$ 32,333
Operating expenses and other taxes	**41,180**	35,845	30,877	27,674	25,231	22,485	20,720
Other income	**995**	810	675	567	314	435	402
Interest	**6,024**	5,076	4,574	3,758	2,958	2,538	2,262
Income taxes	**7,530**	6,650	6,401	6,514	5,282	5,295	4,774
Net income for year	**8,414**	8,131	7,148	6,607	5,233	5,325	4,980
Statistics – at December 31							
Telephone plant per telephone	**$ 752**	$ 702	$ 687	$ 671	$ 639	$ 622	$ 601
Equity per common share	**$ 19.43**	$ 18.84	$ 18.19	$ 17.64	$ 17.10	$ 16.88	$ 16.66
Embedded debt cost	**7.6%**	7.3%	6.8%	6.1%	5.4%	5.1%	5.1%
Long-term debt % total invested capital	**51.9%**	46.9%	50.0%	48.8%	45.8%	44.2%	42.3%
Employees	**3,152**	2,877	2,649	2,529	2,469	2,474	2,632
Telephones in service	**349,590**	323,762	297,877	279,268	269,211	256,388	243,502
Dial telephones	**96.0%**	94.9%	92.1%	90.8%	90.5%	90.1%	87.9%
Statistics – for year							
Earnings per common share	**$ 1.94**	$ 1.94	$ 1.83	$ 1.71	$ 1.37	$ 1.41	$ 1.51
Dividends paid per common share	**$ 1.25**	$ 1.20	$ 1.18	$ 1.10	$ 1.10	$ 1.10	$ 1.10
Times bond interest earned – before taxes	**4.1**	4.1	4.3	5.1	5.2	5.7	5.5
Times bond interest earned – after taxes	**2.7**	2.7	2.8	3.1	3.2	3.4	3.3
Return on average invested capital	**8.6%**	8.7%	8.4%	8.0%	6.9%	7.0%	7.3%
Return on rate base	**7.4%**	7.6%	7.4%	7.3%	6.2%	6.2%	6.4%
Return on average common equity	**10.1%**	10.4%	10.2%	9.9%	8.1%	8.4%	9.1%
Construction prog. expenditures (in thousands)	**$ 42,619**	$ 27,912	$ 21,518	$ 22,606	$ 17,748	$ 19,166	$ 21,851
Average common shares (in thousands)	**3,961**	3,907	3,854	3,796	3,743	3,698	3,232
Salaries and wages (in thousands)	**$ 24,651**	$ 20,968	$ 17,724	$ 15,684	$ 14,001	$ 12,851	$ 11,852
Average daily calls (in thousands)	**1,996**	1,799	1,741	1,672	1,471	1,393	1,308
Average daily toll messages (in thousands)	**63**	55	48	42	38	36	33

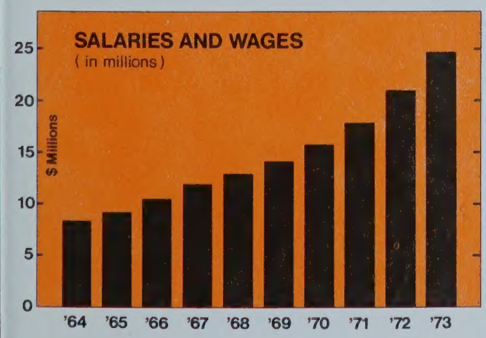








1966	1965	1964
$128,492	$114,132	$105,137
33,100	30,245	27,363
2,612	3,611	1,842
5,778	6,548	5,180
764	433	283
53,650	45,115	43,689
36,200	36,000	29,100
4,408	3,956	3,435
10,288	8,830	8,276
$ 28,571	$ 24,288	$ 22,127
18,639	16,480	14,910
302	243	162
1,759	1,593	1,328
4,107	3,157	2,952
4,368	3,300	3,098
$ 565	$ 522	$ 509
$ 16.37	$ 15.76	$ 15.56
4.6%	4.6%	4.4%
40.3%	44.5%	40.0%
2,531	2,340	2,168
227,270	218,533	206,752
87.9%	87.1%	87.3%
$ 1.43	$ 1.17	$ 1.13
$ .95	$ .95	$ .90
6.2	5.3	5.8
3.7	3.2	3.5
7.2%	6.3%	6.2%
6.2%	5.5%	5.4%
9.0%	7.5%	7.2%
$ 17,956	$ 11,959	$ 12,006
2,976	2,739	2,636
$ 10,430	$ 9,063	$ 8,349
1,236	1,150	1,086
31	30	27



Maritime Telegraph & Telephone Company, Limited

DIRECTORS

GARNET L. ANGUS
President
G. L. Angus Real Estate and Appraisals Ltd.
Amherst

***A. GORDON ARCHIBALD**
Chairman of the Board & President
Maritime Telegraph & Telephone Co., Ltd.
Halifax

***†DONALD F. ARCHIBALD**
President
Archibald Farms Limited
Port Williams

MELBOURNE R. CHAPPELL
Vice-President
Island Construction Company, Limited
Sydney

D. A. EISENHAUER
President
Atlantic Bridge Co., Ltd.
Lunenburg
Elected March 30

***C. L. GOSSE, M.D.**
Lieutenant-Governor
Province of Nova Scotia
Halifax

SEYMOUR W. KENNEY
President
H. D. MacLeod Agency, Ltd.
Yarmouth

***W. F. LIGHT**
Executive Vice-Pres. (Operations)
Bell Canada
Montreal

J. J. MACDONALD
Vice-President, Academic
St. Francis Xavier University
Antigonish
Elected March 30

I. M. MACKEIGAN
MacKeigan, Cox, Downie & Mitchell
Halifax
Elected March 30
Retired September 25

CLARENCE J. MORROW
Director
National Sea Products Ltd.
Lunenburg
Retired March 30

***†DONALD W. MYERS**
Executive Vice-President
Maritime Telegraph & Telephone Co., Ltd.
Halifax

***†GEORGE C. PIERCEY**
Partner
Daley, Black, Moreira and Piercey
Halifax

†J. E. SKINNER
Vice-President (Personnel)
Bell Canada
Montreal
Elected March 30

***PERCY J. SMITH**
Vice-President
Great Eastern Corporation, Ltd.
Halifax

FRANK H. SOBEY
Chairman of the Board
Sobey Stores Limited
Stellarton
Retired March 30

GEORGE C. WALLACE
Vice President-Finance
Bell Canada
Montreal
Retired March 30

***CHARLES E. STANFIELD**
Vice-President
Stanfield's Limited
Truro

***Member of Executive Committee**
†Member of Audit Committee

OFFICERS

A. Gordon Archibald	Chairman of the Board and President
Donald W. Myers	Executive Vice-President
W. Struan Robertson	Vice-President — Operations
Alexander H. MacKinnon	Vice-President — Planning
Frederick M. Waller	Secretary and Executive Assistant
Edward J. Hicks	Treasurer and Assistant Secretary
David S. Inkpen	Comptroller

OPERATIONS

D. Nelson Braid	General Organization Development Manager
Harry W. Dacey	General Personnel Manager
Ivan E. H. Duvar	Chief Engineer
John R. Gale	General Information Manager
Philip G. Henderson	Business Information Systems Manager
Stephen E. Jefferson	Executive Assistant — Trans Canada
H. C. Kingsbury	General Traffic Manager
M. John McGrath	General Marketing Manager
G. Donald Robb	General Plant Manager
Murray W. Wallace	General Commercial Manager

MARITIME TELEGRAPH & TELEPHONE COMPANY LIMITED

Printed in Nova Scotia

MARITIME TELEGRAPH & TELEPHONE COMPANY LIMITED

Six Month Report

TO JUNE 30th 1973

MARITIME TEL & TEL

TO THE SHAREHOLDERS:

Net income for the first six months of the year was $4,206,213, compared to $3,903,547 a year ago: earnings per average common share for the same comparative periods were $.98 and $.96 respectively.

Strong growth has continued in both the volume of long distance calling, an increase of nearly 14% over a year ago, and in the number of telephones in service throughout Nova Scotia, the total now being nearly 334,000, up 7.8% over a year ago. The rate of return on average invested capital for the period was 8.67% and the return on average common equity was 10.27% for the period.

Capital construction expenditures for the six month period totalled $15,828,399, compared to $12,027,772 for the first six months of 1972. The estimated construction program expenditures for the year are $43 million, as the Company's accelerated program continues in order to meet the rising demands for telecommunication services of all kinds, and improved community services in smaller urban and semi-rural centres throughout the Province.

July 26, 1973
Halifax, N.S.

A. G. Archibald
President and Chairman of the Board

SIX MONTH GROWTH

(compared to same period last year)

Long distance calls
10.8 million, up 13.7%

Salaries and wages
$11.4 million, up 15.3%

Telephone gain
10,190, down 13.8%

Telephones in service June 30
333,952, up 7.8%

Employees June 30
3,192, up 6.9%

Condensed Financial Position Statement

		(thousands of dollars) As at June 30	
		*1973 $	*1972 $
Telephone plant		239,463	213,975
Accumulated depreciation		62,418	55,075
Investments		3,977	3,799
Current assest		12,510	12,380
Deferred charges		1,515	1,474
Shareholders' equity	— preferred	10,497	10,500
	— common	75,429	72,012
Long-term debt	— first mortgage bonds	74,500	68,000
	— bank and other notes	5,000	xxx
Current liabilities		5,438	4,715
Deferred credits		24,183	21,326

Interim Income Statement

	(thousands of dollars) Six Months Ended June 30		Twelve Months Ended June 30	
	*1973 $	*1972 $	*1973 $	*1972 $
Operating revenues	29,865	26,412	58,345	51,439
Operating expenses and other taxes (Note 1)(Note 3)	19,534	17,352	38,027	33,387
	10,331	9,060	20,318	18,052
Income from subsidairies	185	171	355	345
Other income	208	189	488	302
Income before interest and income taxes	10,724	9,420	21,161	18,699
Interest	2,786	2,385	5,477	4,781
	7,938	7,035	15,684	13,918
Income taxes (Note 2)	3,732	3,132	7,249	6,288
Net income for period	4,206	3,903	8,435	7,630
Earnings per average common share	.98	96	1.95	1.91
Average number of common shares outstanding	3,932,503	3,882,785	3,932,178	3,882,509
(Note 1) Includes depreciation of	5,921	5,361	11,538	10,232
(Note 2) Includes deferred taxes of	1,602	1,112	3,174	2,933

(Note 3) The Company has applied to the Nova Scotia Board of Commissioners of Public Utilities for a revision of its depreciation rates. If approved these rates will result in an increase of $152,033 in depreciation and earnings per share will be $.96 for six months ended June 30 and $1.93 for twelve months ended June 30, 1973.

Source and Application of Working Capital

	(thousands of dollars) Six Months Ended June 30	
	*1973 $	*1972 $
SOURCE OF WORKING CAPITAL		
Operating revenues and other income	30,258	26,772
Less charges to income requiring working capital	19,404	16,866
Working capital from operations	10,854	9,906
Deferred income tax adjustments prior years	601	(1)
Other	427	420
Total internal source	11,882	10,325
Bank and short-term loans	4,800	xxx
Short term investments	2,500	xxx
Public stock issue	xxx	9,000
Employees' stock savings plan	489	445
	19,671	19,770
APPLICATION OF WORKING CAPITAL		
Construction program expenditures	15,828	12,028
Less charges not requiring working capital	1,540	906
	14,288	11,122
Dividends	2,830	2,500
Investments	xxx	506
Repayment of bank and short-term loans	xxx	4,150
	17,118	18,278
INCREASE (DECREASE) IN WORKING CAPITAL	2,553	1,492

*Unaudited